

Bureau of Securities

Most Frequently Asked Questions

consumer**brief**

1. HOW DO I RESOLVE A DISPUTE WITH MY SECURITIES AGENT OR INVESTMENT ADVISER?

First, attempt to resolve the problem by speaking directly with your agent or investment adviser; and then with the branch office manager. If you are not satisfied with their response, contact the legal and compliance department at the firm's headquarters. Keep written notes of conversations and copies of all correspondence. If you cannot resolve the problem within a reasonable period of time, you may wish to speak with an attorney about pursuing arbitration or other legal action, and you should also file a complaint with the New Jersey Bureau of Securities, the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD).

2. WHAT IS THE DIFFERENCE BETWEEN A FINANCIAL PLANNER, AN INVESTMENT ADVISER AND A SECURITIES AGENT (OR "BROKER")?

Anyone can call themselves a financial planner. If a financial planner or a firm that does financial planning provides specific investment recommendations concerning securities for a fee, they must register as an investment adviser under New Jersey law, or prove that they are exempt from registration. Investment advisers may be paid a flat fee or a percentage of the value of your account, or they may earn a commission on your investment transactions. A securities agent buys and sells securities for a broker/dealer, commonly known as a brokerage firm. Agents earn a commission on the securities transactions that they recommend and execute for your account.

3. HOW DO I CHECK OUT A SECURITIES AGENT OR A FINANCIAL ADVISER?

Weigh the qualifications of a financial professional the same way you would a doctor, lawyer or accountant. Look for

several years of experience, combined with a stable record of employment, appropriate educational credentials and solid references from people you know and trust.

Once you narrow your search, call the New Jersey Bureau of Securities at 973-504-3600 to obtain an information request form. Complete the form and return it to the Bureau of Securities. A Central Registration Depository (CRD) report, which gives details of the securities agent's registration status, employment history, education and any disciplinary action taken for violation of securities laws will be sent to you. For investment advisers, disciplinary history is reported on Part I of Form ADV, a document filed with the SEC. If your investment adviser will not show you Part I, request a copy from the SEC by fax at 202-628-9001 or in writing to the SEC, 450 Fifth St. NW, Washington, D. C. 20549 Attn: Public Reference Room.

4. WHAT IS THE DIFFERENCE BETWEEN A FULL-SERVICE AND A DISCOUNT BROKERAGE FIRM?

A full-service firm customarily offers a wide range of investments, provides research materials and makes specific recommendations through its agents. First-time investors and those without the time or inclination to do their own research often choose this type of brokerage firm.



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Discount brokerage firms provide limited services while offering discounted commission rates. More experienced investors and frequent traders who make their own investment decisions might prefer to deal with a discount brokerage firm. While discount firms do not usually furnish advice or research, the differences between full-service and discount firms have blurred within the last few years.

5. MY SECURITIES AGENT OF MANY YEARS HAS LEFT THE FIRM AND ANOTHER AGENT HAS CALLED TO SAY HE OR SHE IS TAKING OVER HIS ACCOUNTS. IS THIS NORMAL PRACTICE?

While one or more agents typically "take over" the clients of a departing agent, you should not assume that the new person knows your financial situation well enough to begin doing business with you. The "know your customer rule," an NASD rule governing all registered representatives of brokerage firms, requires that the agent make suitable recommendations in light of your other holdings and your financial situation and needs. Arrange a personal meeting with the new agent and ask him or her to update your "new account form" and provide you with a copy. This form requires that the agent ask questions about your assets, investment experience and tolerance for risk. This form is often the most valuable document used when pursuing an arbitration or other legal action. If you are not satisfied with the agent assigned to you, ask the branch manager to make a switch, and be specific about your preferences.

6. I'M NOT HAPPY WITH MY SECURITIES AGENT. HOW CAN I TRANSFER MY ACCOUNT WITHOUT HAVING TO DEAL WITH THIS INDIVIDUAL DIRECTLY?

If an unresolved dispute is the cause of your dissatisfaction, or if you suspect fraud, report the problem immediately to the branch office manager and follow the steps outlined in Question #1. If the problem is simply one of "bad chemistry," you may ask the branch manager to reassign your account to another agent. If you wish to change brokerage firms entirely, the new firm can handle the transfer for you through a system called "ACAT" — Automatic Customer Account Transfer. Generally speaking, you do not need to have any personal contact with your old agent in order to transfer your account(s) through the ACAT system.

7. I HAVE AN OLD STOCK CERTIFICATE, AND I DO NOT RECOGNIZE THE NAME OF THE COMPANY. HOW DO I FIND OUT IF IT HAS ANY VALUE?

If you currently do business with a brokerage firm or certified public accountant, ask if they will trace the company name and quote the market price for you on a complimentary basis. Otherwise, call or write to the

office of the Secretary of State in the state of incorporation to ask whether the company is still in business, or is doing business under a different name (expect to pay a fee). For companies incorporated in New Jersey, write to the Department of State, Division of Commercial Recording, 820 Bear Tavern Road, Trenton NJ 08625-0308. Visit a public library with a large business reference section to consult the Robert D. Fisher Manual of Valuable & Worthless Securities, the Wall Street Journal on microfiche, and other useful reference materials.

8. I AM HANDLING THE ESTATE OF A DECEASED RELATIVE. HOW DO I TRANSFER OWNERSHIP OF THE SECURITIES FROM THE NAME OF THE DECEASED TO THE PERSON INHERITING THE SECURITIES?

If you currently do business with a brokerage firm, ask if they will handle the transfer for you. Otherwise, call the company's shareholder relations department for the name and telephone number of the company's transfer agent. The transfer agent can provide specific information about the documents required for legal transfer.

9. NO-LOAD, BACK-END LOAD... HOW DO I SELECT THE MUTUAL FUND FEE STRUCTURE THAT IS RIGHT FOR ME?

Start by reading the mutual fund prospectus thoroughly. Make a list of all items described as fees, charges or expenses. These include front-end loads, back-end charges (or contingent deferred sales charges), redemption fees, exchange fees, management fees, 12b-1 fees and a category called "other expenses." Then, visit your public library to consult a mutual fund rating reference such as Morningstar, which publishes cost averages for the various fund categories. If your fund's fees exceed the average, ask your agent or mutual fund company representative to explain.

10. PONZI AND PYRAMID SCHEMES ARE IN THE NEWS. WHAT ARE THEY, AND HOW CAN I PROTECT MYSELF?

Pyramid schemes depend on the recruitment of new participants — the base of the pyramid — in order to deliver a promised return to those who invested first --the top of the pyramid. It doesn't take long for the scheme to run out of fresh recruits, who are needed to keep up the appearance of profit generation. The pyramid collapses, leaving all but the original "insiders" defrauded.

A Ponzi scheme is a type of pyramid that uses money from new investors to pay interest and principal to earlier investors, until the scheme collapses. Warning signs of Ponzi schemes include promises of very large returns within a short period of time.

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